



California Women's Law Center Gender Analysis of the 2005-2006 State Budget

Governor Schwarzenegger's 2005-2006 proposed state budget seeks to use spending reductions in order to close the gap between expenditures and revenues. These reductions will have far-reaching consequences for a large and diverse group of Californians. While budget analysts and advocacy organizations have looked at the impact of spending reductions on various populations such as taxpayers, children, and immigrants, CWLC has assessed the impact of these reductions specifically in relation to their effects on women. The following report examines the California economy, proposed budget cuts, and their disproportionate impact on women.

National and California Economic Forecast¹

Last year, the output of the national economy grew at almost its fastest rate in 20 years. Increased federal spending and historically low mortgage and other long-term interest rates also gave the economy a boost. 2004 saw higher consumer spending, an improvement in industrial production, a continued rebound in business investment, and a nearly 8 % increase in new home sales. Job growth improved, but was not as high as could have been expected considering the strong output growth. Rising interest rates will curb higher spending, therefore the real gross domestic product is projected to slow from the current 4% to 3.3% in 2005 and to 3% in 2006.

The California economy also grew in 2004. Personal income and taxable sales grew, exports of California-made products turned around for a strong gain after three weak years, residential construction increased, and new business incorporations accelerated. Job growth improved at the state level as well as the national level, although it was checked by declines in government employment. Housing markets continued to set new records in 2004, with sales up 4.1% and median prices up 20.9%.

The state's economic fate is closely tied to that of the nation. In the coming year, U.S. output growth is projected to slow somewhat, but wage and salary and personal income growth will pick up slightly. California is expected to experience similar growth rates.

¹ All economic information was obtained from the *Governor's Budget Summary 2005-2006*, available at <http://govbud.dof.ca.gov>.

Making up the Difference

Though California's current economic situation is better than last year's, it is far from optimal. The 2005-2006 budget deficit totals \$9.1 billion. The current deficit is due to an operating deficit in 2004-2005 of \$1.7 billion, a gap between baseline expenditures and revenues of \$5.2 billion, the loss of \$2 billion of Economic Recovery Bonds that were used to help fill the gap in 2004-2005, and \$170 million for other adjustments. To address this year's shortfall, Governor Schwarzenegger has proposed a budget that relies onerously on spending reductions and uses various funding shifts and borrowing to make up the rest.

Spending reductions are primarily directed toward health care, social services, and education, which, together, account for 72.8% of total state spending. These cuts disproportionately impact women, who make up the majority of those who use health and social services, the majority of those who provide health and social services, the majority of teachers at the K-12 level, and the majority of students in higher education.

HEALTH CARE

Medi-Cal

Medi-Cal is California's Medicaid healthcare program. This program pays for a variety of medical services for children and adults with limited income and resources. Medi-Cal insures one out of four children in California, covers the majority of people living with AIDS, fills in gaps in Medicare coverage for low-income elderly people and people with disabilities, paid for 42% of all births in California in 2000, and pays for 2/3 of all nursing home days.² The more than 3.6 million women who make up 57% of Medi-Cal recipients will be adversely affected by program cuts and policy changes.³

❑ New premiums for beneficiaries with higher incomes.

The governor's proposal would impose monthly premiums for families earning above the poverty level (\$1,306 monthly income for a family of three), and for seniors and persons with disabilities with incomes above the Supplemental Security Income/State Supplemental Payment level, (\$812 for a single person and \$1,437 for a couple). The monthly premiums for children under 21 would be set at \$4 and those for adults at \$10, with a \$27 monthly cap per family.⁴ These premiums will further strain the already stretched ability of low income families to make ends meet.

❑ A cap on adult dental services of \$1,000 per year.

² California Budget Project, *Medi-Cal Program* (2004).

³ California Department of Health Services, *Medi-Cal Beneficiaries Profiles by County* (July, 2003).

⁴ California Immigrant Welfare Collaborative, *Governor Schwarzenegger Targets Low Wage Workers and Working Families in His 2005-2006 Budget Proposal*.

This means that 125,000 adults will face out-of-pocket expenses for severe dental treatment.⁵ Dental services are expensive⁶ and this cap will make it much more difficult for many women to get all the care they need. If the cost of a procedure would exceed the yearly cap, many patients will forgo dental care rather than pay the out-of-pocket costs. Additionally, access to Medi-Cal dental services has been shown to be extremely problematic, with 54% of recipients reporting difficulty with access to dental care, meaning at least 3 million eligible Californians are underserved.⁷ Consequently, even if one has not reached the cap, it will be difficult to get needed services because of the lack of dentists who accept Medi-Cal.

SOCIAL SERVICES

California Work Opportunity and Responsibility to Kids (CalWORKs)

CalWORKs is a welfare program that gives cash aid and services to eligible needy California families, and helps them find jobs as well as overcome barriers to employment. If a family has emergency cash, housing, food, utilities, clothing and/or medical care needs, they may be eligible to receive immediate short-term help. Families that apply and qualify for ongoing assistance receive money each month to help pay for housing, food and other necessary expenses.

Generally, services are available to: families with a child (or children) in the home who has been deprived of parental support or care because of the absence, disability, or death of either parent; families with a child and both parents in the home, but the principal earner is unemployed; and needy caretaker relatives of a foster child.⁸ The amount of a family's monthly assistance payment depends on a number of factors, including the number of people in the family who are eligible and the income of the family.⁹ Recipients represent disproportionate percentages of employees in low paying jobs; retail trade employs about 22% of all recipients while business and repair services, construction, and non-durable manufacturing account for the next largest percentages.¹⁰ 57% of workers earn \$8.00 or less per hour, and only 29% earn more than \$10.00 per hour,¹¹ the current living wage for Los Angeles.¹² In actuality, in order to be self-

⁵ Health Access, *Governor's Budget Plans Would Restrict Access to Care*.

⁶ According to the National Dental Advisory Service's Annual Dental Fee Survey of 2003, the costs for dental procedures in California are: \$90 for a regular teeth cleaning, \$115-150 for an amalgam filling, \$990 for a porcelain crown, and \$620-740 for a root canal. www.discountdental4u.net/dental-fees.htm.

⁷ *Evaluation of Strategies to Recruit Oral Health Care Providers To Underserved Areas of California*, available at

http://www.futurehealth.ucsf.edu/pdf_files/Dental%20Strategies%20Full%20Final%20Report.pdf.

⁸ *The Hidden Public Costs of Low-Wage Jobs in California*, available at www.iir.ucla.edu/scl/pdf/scl2004ch1.pdf.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Current and Prior Living Wage Rates*, available at http://www.lacity.org/bca/lwo_wage_rates.pdf.

sufficient,¹³ a family of one adult and two infants living in Long Beach *in 2000* would have needed to earn \$21.45 per hour.¹⁴ Moreover, contrary to popular belief, most of the public assistance to working families goes to families with full-time workers; 76% goes to single-earner families who work 34 hours or more per week and dual earner families who work 70 hours or more per week.¹⁵ Program cuts will primarily affect women, who make up 79.6% of adult recipients.¹⁶

❑ **Reduction of the maximum monthly grant by 6.5%.**

Under this proposal, a typical family of three will see their grant reduced from \$723 to \$676. Families relying on these grants will have to stretch their already limited funds even further to make up for this significant loss.

❑ **Deletion of the requirement to provide the statutory cost of living adjustment (COLA).**

The purpose of CalWORKs is to close the gap for working families who need assistance for the basic necessities. The governor's proposal would leave these families to find some other way to close the gap and make adjustments as costs of living increase, undermining the program itself. By definition, these families are having trouble providing for basic necessities, and this will only make it harder for them to do so.

❑ **Reduction of the amount of disregarded income which is removed from consideration in the determination of a family's grant.**

This will result in reducing the grant payment for working families. Under this proposal, a family of three earning \$1,000 per month would see their monthly grant reduced by \$93, in addition to the \$47 grant reduction noted above.¹⁷ This change would effect a further diminishing of the already limited ability of low-income families to make ends meet. It will also deter families from working to become independent by penalizing, through the reduction of their grants, those families working to earn more.

Supplemental Security Income/State Supplementary Payment

The Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program is a federal/state funded cash aid program administered by the Social Security Administration in local social services offices throughout the state. California supplements the Federal SSI grant with its own SSP payment. The program provides a

¹³ According to the National Economic Development and Law Center, the Self-Sufficiency Standard is a measure of the amount of income needed for 70 different family types to adequately meet basic needs without public or private assistance.

¹⁴ Women At Work, Californians for Family Economic Self-Sufficiency Meeting (September 2002).

¹⁵ *The Hidden Public Costs of Low-Wage Jobs in California*, available at www.iir.ucla.edu/scl/pdf/scl2004ch1.pdf.

¹⁶ California Department of Social Services, *CalWORKs Characteristics Survey* (2002).

¹⁷ California Legislative Analyst's Office, *2005-2006: Overview of the Governor's Budget*.

monthly cash grant to California residents who are age 65 or over or blind or disabled and meet income and resource requirements based on eligibility, living arrangement, and marital status.¹⁸ Program cuts will primarily affect women, who make up 57% of the recipients.¹⁹

❑ **Suspension of the January 2006 COLA.**

This suspension makes it even harder for program beneficiaries to make ends meet. The reality is that this cut takes money from elderly, sick, poor women, many of whom will be left to fend for themselves just to fulfill their basic necessities.

In-Home Supportive Services

In-Home Supportive Services (IHSS) is a state-administered, county-run program whose purpose is to provide supportive services to the eligible aged, blind, and disabled persons who are unable to perform certain services for themselves and who could not remain safely in their own homes without these services.²⁰ Program cuts will disproportionately affect women as 75% of IHSS caregivers²¹ and 66% of IHSS recipients are female.²²

❑ **Limit of state participation in provider wages to the \$6.75 minimum wage level, rather than the \$10.10 per hour level currently authorized.**

The proposal would leave employers to make up the \$3.35 difference or just reduce the IHSS caregivers wages. A significant reduction in caregiver wages is very likely. In turn, IHSS recipients will receive a lower quality of care because skilled caregivers will not be able to afford to work for minimum wages.

Child Care

❑ **Reducing reimbursement rates and tying them to child-care quality.**

This change will result in significant reductions in reimbursements for license-exempt care. If child care providers do not seek health and safety training, obtain a child-care license, enhance their knowledge of early childhood development, raise scores on environmental rating scales, and/or become accredited within 90 days, their reimbursement rates would be reduced.²³ Rates will be reduced by 39% for providers who do not obtain training. Astonishingly, even those who are able to obtain the training will have their rates reduced by 33%. These are huge

¹⁸ www.dss.cahwnet.gov/research/Disability_431.htm.

¹⁹ California Department of Social Services, *SSI/SSP Recipients- Characteristics of California's Recipients in the Supplemental Security Income and State Supplementary Payment Programs* (2002).

²⁰ www.dss.cahwnet.gov/research/Disability_431.htm.

²¹ California Department of Social Services, *Characteristics of Caregivers in the IHSS Program* (2001).

²² California Department of Social Services, *Characteristics of Recipients in the IHSS Program* (2002).

²³ *Governor Releases FU 2005-2006 Budget Proposal*, available at http://www.pacenet.org/pdfs/governor_proposal.pdf.

cuts that will primarily impact women as the majority of child-care providers are women.

- ❑ **Basing income eligibility on the percentage of federal poverty rather than state median income.**

Currently, families are eligible for subsidized child care if their incomes are at or below 75% of the state median income (SMI- \$35,100 for a family of three). The governor's proposal would use some variant of the federal poverty level (FPI) in determining income eligibility for child care programs. This will reduce the number of low-income families who would receive affordable child care.²⁴

- ❑ **Phasing in a one-year time limit for Stage 3 child care in CalWORKs.**

Families who have exited the welfare system, but whose wages are still very low (\$7.50 - \$10.00 per hour) will lose guaranteed access to child care after three years, forcing their children onto a waiting list, into unaffordable child care, or into possible unstable or unsafe childcare arrangements- all of which jeopardize parents' participation in the workforce.²⁵ These working parents, of whom 80% are women, will spend a disproportionate share of their incomes on child care and will have to do without some essential living expenses.²⁶ These cuts may push many vulnerable families back to CalWORKs aid instead of helping them to become independent.

EDUCATION

K-12 Education

- ❑ **Ending the state's contributions to a defined benefit retirement plan offered by the State Teachers' Retirement System (CalSTRS).**

Currently, the state pays 2% on the dollar of payroll into the CalSTRS plan. Teachers contribute 8% and school districts pay 8.25%. The governor's proposal would cut the state's annual pension obligation to CalSTRS by \$469 million, or 49%. The practical result of this cut is that teachers and/or school districts would be left to pay more into the plan. The additional financial burden might exacerbate economic conditions at cash-strapped districts, harm employee relations, and drive away new teachers. CalSTRS provides benefits for 755,000 active and retired teachers in the state.²⁷ Of the 333,705 elementary and middle

²⁴ California Budget Project, *Governor Releases Proposed 2005-2006 Budget*.

²⁵ National Economic Development and Law Center, *Governor's Proposed Child Care Cuts Chip Away at Family Economic Stability: A First Look at Stage Three CalWORKs Cuts* (2004).

²⁶ *Id.*

²⁷ Sacramento Bee, *Teacher Pension Shift is Sought*, available at <http://www.sacbee.com/content/politics/ca/budget/story/12005779p-12876227c.html>.

school teachers in California, 76.1% are female²⁸ and will be disproportionately impacted.

Higher Education

- ❑ **A decrease in the size of new Cal Grant awards for students attending private colleges and universities.**

The governor's proposal would decrease Cal Grants by about 10.5%, reducing the maximum award to \$7,449.²⁹ Students will have to take out higher amounts of loans, which unlike the Cal Grants, will have to be repaid.

- ❑ **An increase in fees at the UC and CSU for both undergraduate and graduate students.**

Students attending public colleges and universities will be affected by the proposed budget, primarily by an 8% increase in undergraduate fees and a 10% increase in graduate student fees at both the UC and the CSU. For example, at UC Santa Barbara, the fees for 2004-2005 were \$7,062.26 for undergraduate³⁰ and \$8,379.92 for graduate³¹ students. The governor's proposal would increase these fees for next year to \$7,627.24 and \$9,217.91 respectively. At CSU, the fees for 2004-2005 were \$2,334 for undergraduate and \$2,820 for graduate students.³² The governor's proposal would increase these fees for next year to \$2,520.72 and \$3,102 respectively.

These changes seem to affect women only slightly more significantly than men, as women make up 58% of post-secondary students.³³ Upon closer examination, however, women are much more impacted than men are by these changes. The students for whom these cuts and increases will mean the difference between staying in school or being forced to drop out are the those coming from low income families. Among families earning less than \$30,000 a year, 68% of college enrollees are women.³⁴ Combined with the fact that there is an 80% disparity between the wages earned by college educated and high school educated workers³⁵, the governor's proposed changes work to hurt women quite severely after all.

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²⁸ US Census Bureau, *Census 2000 Special Tabulation*.

²⁹ California Legislative Analyst's Office, *2005-2006: Overview of the Governor's Budget*.

³⁰ www.registrar.ucsb.edu/feechart.htm.

³¹ www.registrar.ucsb.edu/feechart-grad.htm.

³² www.calstate.edu/pa/news/2004/feehike.shtml.

³³ <http://nces.ed.gov/quicktables/Detail.asp?Key=1120>.

³⁴ <http://www.virtuallyadvising.com/content/wic/11gendergap.shtml>.

³⁵ www.epinet.org/content.cfm/webfeat_lessons20001101.